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FM AMEMBASSY HARARE
TO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PRIORITY
RUEHJO/AMCONSUL JOHANNESBURG PRIORITY 0474
RUEHC/SECSTATE WASHDC PRIORITY 0193
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHUJA/AMEMBASSY ABUJA 1231
RUEHAR/AMEMBASSY ACCRA 1067
RUEHDS/AMEMBASSY ADDIS ABABA 1237
RUEHBY/AMEMBASSY CANBERRA 0495
RUEHDK/AMEMBASSY DAKAR 0861
RUEHKM/AMEMBASSY KAMPALA 1288
RUEHNR/AMEMBASSY NAIROBI 3660
RUEHFR/AMEMBASSY PARIS 1060
RUEHRO/AMEMBASSY ROME 1699
RUEHBS/USEU BRUSSELS
RUEHGV/USMISSION GENEVA 0572
RHEHNSC/NSC WASHDC
RUCNDT/USMISSION USUN NEW YORK 1446
RUEKJCS/JOINT STAFF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKDIA/DIA WASHDC//DHO-7//
RUCPDO/DEPT OF COMMERCE WASHDC
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//
RUEPGBA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

UNCLAS SECTION 01 OF 03 HARARE 000696

SIPDIS

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AF/S FOR B. NEULING
NSC FOR SENIOR AFRICA DIRECTOR C. COURVILLE
STATE PASS TO USAID FOR M. COPSON AND E. LOKEN
TREASURY FOR J. RALYEA AND B. CUSHMAN
COMMERCE FOR BECKY ERKUL

E.O. 12958: N/A

TAGS: [ASEC](#) [ECON](#) [EFIN](#) [EMIN](#) [PGOV](#) [ZI](#)

SUBJECT: GOZ DIVIDING, CONQUERING PLATINUM INDUSTRY

REF: HARARE 0629

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Summary

1. (SBU) Post's econoff and Johannesburg FSN resource specialist held meetings in Johannesburg on May 30 and June 2 with South African-based officials of the three platinum mining companies active in Zimbabwe. The meetings revealed that the sector is divided in how to respond to the GOZ's aggressive moves to seize control over the country's mineral resources. Zimplats, majority-owned by South African Implats, announced its "empowerment" agreement with the GOZ and expansion project (reftel) on June 1. By contrast, Aquarius, in a partnership with Implats, said it had refused to negotiate any release of shares to the GOZ. Anglo Platinum, with about 10 percent of Zimbabwe's platinum resources, indicated it hoped to convince the GOZ to accept assets in Zimbabwe controlled by its parent, Anglo-American, in exchange for an empowerment credit. End Summary.

Risk Remains in Zimplats Deal

2. (SBU) Zimplats, 87 percent-owned by South African mining giant Implats, announced its empowerment agreement with the

GOZ and expansion project (reftel) on June 1, coinciding with President Mugabe's dedication of a new portal at the Ngezi mine. Implats Finance Director David Brown reiterated to econoff on June 2 the company's assessment that the risk of doing nothing had outweighed the risk of relinquishing ground to the GOZ. Zimplats' greatest strength had been its Achilles heel) owning too many assets in the face of the GOZ's indigenization priority. Moreover, Brown noted that the development of the 36 percent of ground it had given up to the GOZ would be no "slam dunk" for Norilsk or any other mining company (reftel), as the ground was "difficult, relatively deep and unexplored."

13. (SBU) Brown said investors recognized that Zimplats had secured value today for resources that the company could not have developed for another 100 years or more. President Mugabe's conciliatory remarks (prepared by Zimplats, according to Brown, and delivered mostly as drafted) and his praise for Zimplats' high level of social investment had also allayed investor fears, at least in the short term.

14. (SBU) According to Brown, Zimplats and the GOZ had also reached agreement on the methodology for calculating the empowerment credit: it would be either 19.5 percent or 29.2 percent, depending on whether the GOZ paid cash for some ground or offered equity back to Zimplats. Zimplats' greatest risk now lay in the GOZ's adherence to the agreement. Brown hoped that the deal would "soften the edges" of the amendment to the Mines and Minerals Act now in draft, but he also feared that the GOZ was emboldened by the success of movements in South America to nationalize mineral assets.

15. (SBU) In that regard, Brown confirmed press reports that

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on the day of the Zimplats dedication GOZ officials had raided Zimplats' Harare headquarters and removed CEO Sebborn's computer. Brown said that Reserve Bank of Zimbabwe Governor Gono had instigated the raid based on suspicion of illegal foreign account holdings, which Zimplats denied. Brown believed Gono was miffed that Mining Minister Midzi, and not Gono, would get "all the glory" for the Zimplats deal, and that Gono had lost out, for now at least, in the grab for a piece of Zimplats. Brown added that the police had already returned the computer and had not exercised a warrant to search Sebborn's home.

Aquarius Platinum Rejects Appeasement Route

16. (SBU) Aquarius Platinum Ltd CEO Stuart Murray heaped scorn on Zimplat's "appeasement strategy" in a meeting with econoff on May 30. Australian-owned Aquarius, which jointly owns the Mimosa Mine and which Aquarius operates in a 50/50 joint venture with Implats, had decided not to negotiate the handover of any equity to the GOZ. Murray maintained that the Zimplats deal set a bad precedent for the industry, and that any equity relinquished to the GOZ would only end up in the hands of a ZANU-PF crony. Aquarius planned to wait out the draft amendment, protest it, suffer expropriation if necessary, then work to regain property rights after Mugabe left the scene.

17. (SBU) Murray said Implats had acquiesced and supported Aquarius' hard line approach, as its joint claim - about five percent of Zimbabwe's platinum resources - was miniscule in relation to Implats' huge stake in the Zimplats claim. Murray said Aquarius and Implats had put all further expansion of the Mimosa mine, which produced about 70,000 oz of platinum per year, on hold pending amendment of Zimbabwe's Mines and Minerals Act. He noted that twenty-six percent of the equity in Mimosa still remained available to indigenous Zimbabwean investors, but only on fully compensated terms.

Anglo Platinum Looking At Asset Swap

18. (SBU) Anglo Platinum, the world's largest primary producer of platinum, maintained it was not economically viable for the company to give up ground in Zimbabwe, as Zimplats had done, in exchange for an empowerment credit. Circumspect with details, Executive Director for Finance and Corporate Development Roeland van Kerckhoven indicated to econoff on June 2 that Anglo Platinum parent company Anglo American might instead offer the GOZ other assets in Zimbabwe, including non-mineral assets. Anglo Platinum was "quite certain" it would reach agreement with the GOZ. (N.B. Anglo Platinum holds about ten percent of Zimbabwe's platinum resources, but the start of production at its Unki Platinum Project is still 2-3 years away.)

Comment

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19. (SBU) However pragmatic the Zimplats deal might appear in the short term, its long term benefit is questionable and it marks a worrying trend for the sector, which now faces an emboldened government. The GOZ's continued use of the new mining bill to pressure foreign mining companies is yet another indication of how investor-unfriendly Zimbabwe is and how desperate the ruling party is to augment its strained patronage system, even at the cost of undercutting the economy's last major source of foreign exchange. The latest developments may preserve some existing mining investment but will nonetheless have a chilling effect on new investment.

SCHULTZ